




IDBs: Low-Cost Financing for Solid Waste Disposal and Recycling Businesses

Association of Oregon Recyclers
November 27, 2012



What are Industrial Development Bonds (IDBs)?

- A type of municipal bond, private activity bond (PAB)
- For businesses that qualify, IDBs can provide financing at low-cost tax-exempt rates
- Primary restrictions are Federal, but State of Oregon also has some requirements

What are IDBs? (continued)

Two major types:

- Small issue IDBs for manufacturing facilities
- **Exempt facilities – solid waste disposal facilities, other types**





Parties Involved in an IDB Transaction

- Conduit issuer
- Borrower
- Lender/purchasers of the bonds
- Bond counsel for issuer, attorneys for other parties
- Others, depending on how bonds are sold



Role of Issuer

- Conduit issuer – We issue bonds on behalf of company, but company is responsible for repaying the bonds.
- Federal Internal Revenue Code requires private businesses to go through a public agency in order to access low cost, tax exempt PAB financing.
- Provide allocation of PAB volume cap and required approvals (Declaration of Intent, TEFRA hearing, etc.)

Role of Issuer (continued)

- Guide applicants through the process
- When State is issuer, issuer is State of Oregon, acting by and through its State Treasurer, Oregon Business Development Commission, and Oregon Business Development Department.
- Other issuers of PABs in Oregon – port districts, larger cities – may have different processes

A close-up, low-angle shot of a white wind turbine against a clear blue sky. The image shows the central hub and the base of the blades, with one blade extending towards the top of the frame.

Application and Bond Process

- Preliminary discussions
- Application and tax questionnaire
- Finance Committee approval of project eligibility and Declaration of Intent
- Oregon State Treasury Preliminary Approval
- Bond process and process of raising bank financing occur simultaneously



Application and Bond Process (continued)

- TEFRA hearing and Governor's TEFRA approval
- Finance Committee approval of bond closing resolution
- Bond closing

Application and Bond Process (continued)

- We've changed state requirements to make it easier for solid waste disposal facilities to qualify for bond financing, to take advantage of more flexible 2011 Federal requirements



Timeframe

- From receipt of complete application to Finance Committee approval for eligibility – 3 weeks
- Minimum bond process time to close bonds after Finance Committee approval for eligibility – 2 to 3 months



Timeframe (continued)

- Key point with timing – Once company obtains Declaration of Intent from Finance Committee, it can issue bonds in the future and reimburse itself for costs incurred up to 60 days before date of approval. Project does not need to be on hold until the bonds close.



Issuer Fees

- Application fee - \$500
- OBDD bond closing fee (no annual fees) – Regular IDB, $\frac{1}{2}$ of 1% of bond principal amount; Express Bond, $\frac{1}{4}$ of 1% of bond principal amount
- Oregon State Treasury fee – Express Bond of \$5 million or less, \$5,000; Express Bond more than \$5 million and regular IDBs, \$10,000 - \$20,000 or more depending on size of bond and number of series



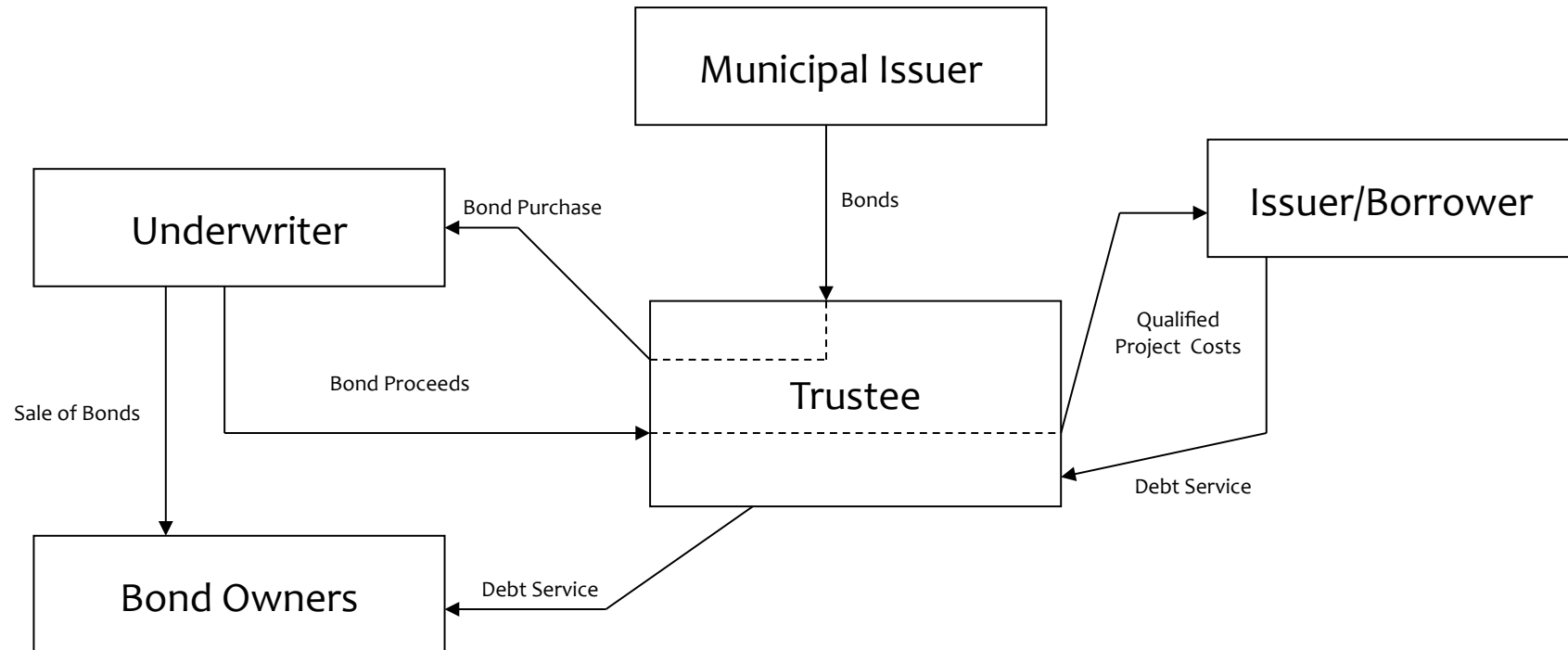
Issuer Fees (continued)

- Bond counsel – Express Bond, Hawkins, Delafield & Wood sliding fee schedule based on size of bond (\$15,500 for \$2 million bond); regular IDB, \$35,000+
- For Express Bond, usual and customary bank fees, in addition to bond-related fees
- For regular IDBs, additional fees charged by other financial services firms (underwriter, trustee, etc.)

Industrial Development Bonds

Basic Structure

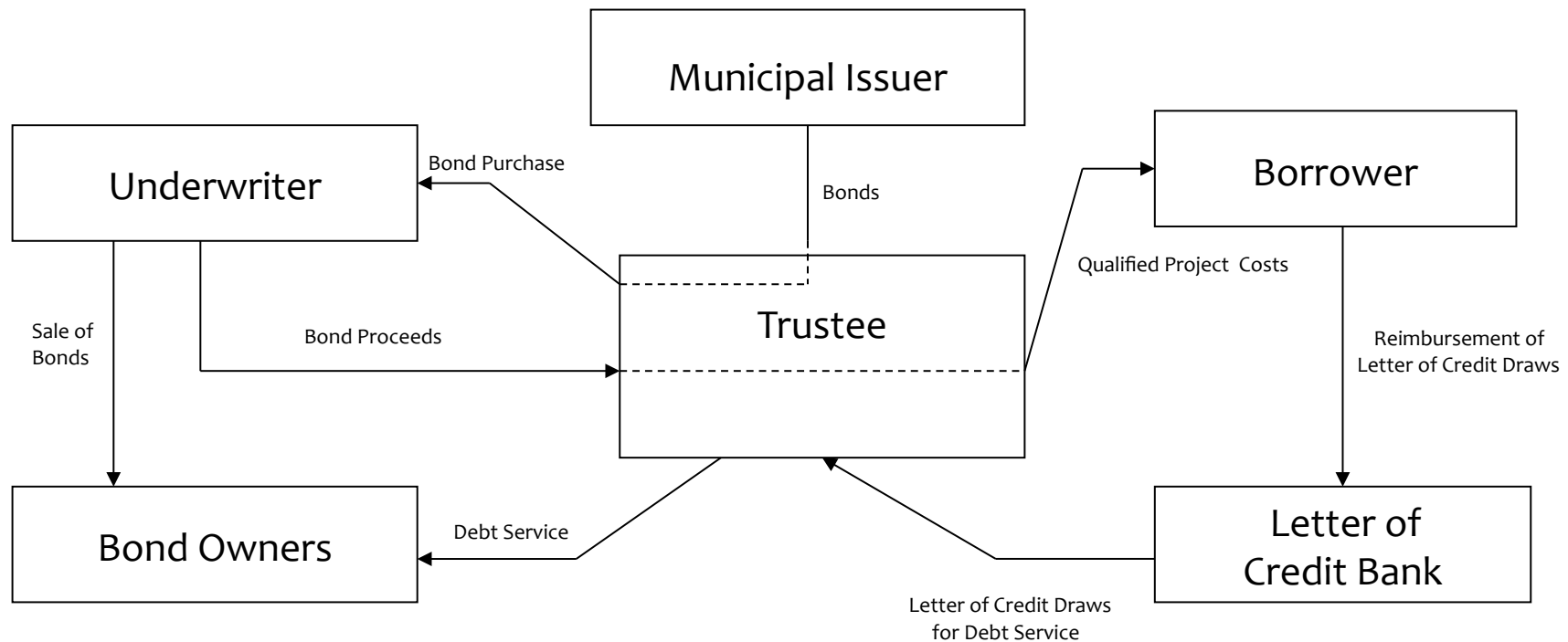
Example of Regular IDB Financing Structure



Industrial Development Bonds

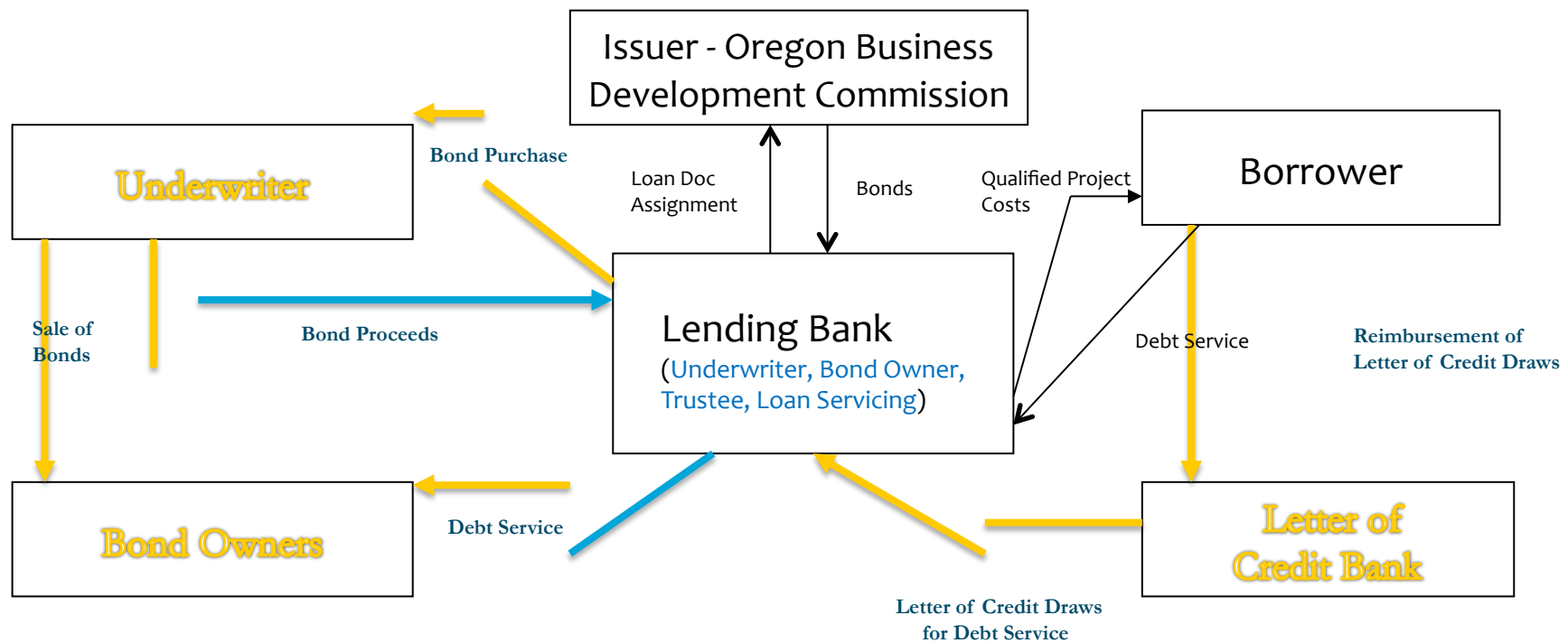
Basic Structure – With Letter of Credit

Example of Regular IDB Financing Structure with Letter of Credit



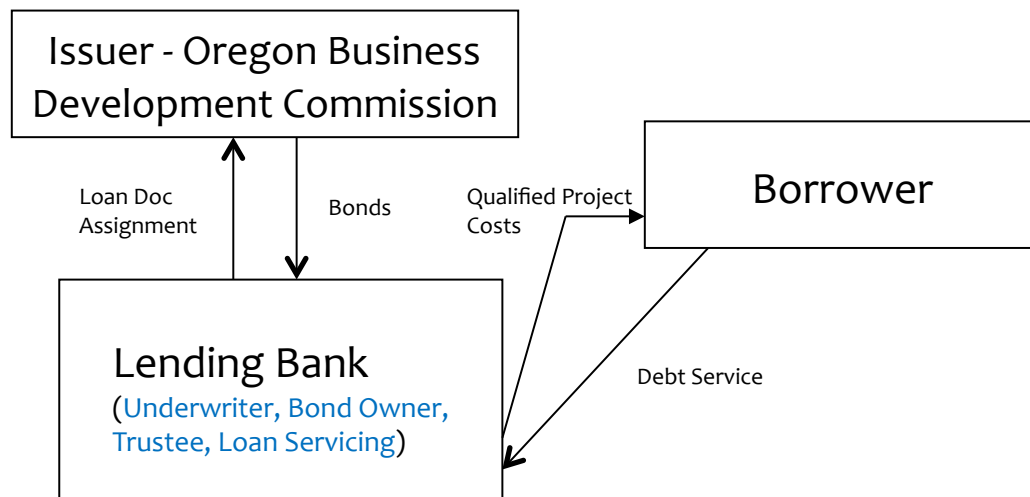
Business Oregon – Express Bond Structure

Example of Express Bond Financing Structure




Business Oregon – Express Bond Structure

Example of Express Bond Financing Structure



Taxable IDBs

Oregon Business Development Commission can issue taxable IDBs, in combination with tax-exempt bonds, to finance portions of total project not eligible for tax-exempt bond financing



Representative Savings from IDB Financing, Approximate \$s

- Express Bond issued for manufacturing company
- Bond amount – \$3 million
- Total bond-related costs - \$30,000
- Total interest savings over 10 year life of loan/bond - \$300,000

Solid Waste Case Study #1

- \$1.2 million bond for purchase of trucks, equipment, and tenant improvements for a small, family-owned waste disposal firm to establish a recycling program for its service territory

Solid Waste Case Study #2

\$11.0 million bond for purchase of equipment for manufacturer and distributor of building materials to recycle process waste back into its manufacturing process





Other Business Oregon Business Finance Resources

Direct Loans:

- Entrepreneurial Development Loan Fund
- Oregon Business Development Fund

Loan Guarantees:

- Capital Access Program
- Credit Enhancement Fund